

Forum on Transportation Investment

IDAHO FUEL TAX, FHWA FUNDING, AND REGRESSION CONSIDERATIONS

Presented at the November 29, 2005 meeting

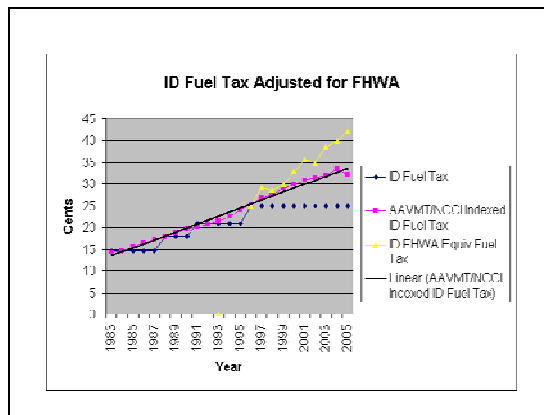
Jim Kempton, Chair, Forum on Transportation Investment

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Idaho Fuel Tax, FHWA Funding, and Regression Considerations

Jim Kempton, Chairman

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Jim noted that the gasoline and special fuels revenue at first increased, but then during the past several years has leveled off. The revenue from the current 25¢ fuel tax became stagnant in FY1999 and remains that way today.

This flattened fuel tax revenue has significantly impacted the Local Highway Jurisdictions and State Police. Their annual budgets have diminished at a time when transportation needs and costs have skyrocketed. The Local Highway Jurisdictions also face significant challenges with the 3% cap on property tax. Some communities cannot keep pace with their local transportation needs. The backlog of transportation projects continues to increase and public frustration continues to grow.

Instead of raising fuel taxes, for the last ten years Idaho has relied heavily on increased Federal funds to finance transportation needs. Federal revenue is expected to increase at a much slower pace during the next few years and the Highway Trust Fund is predicted to be in a deficit situation sometime between FY2009-FY2010 unless additional federal taxes/revenue is designated. The Federal fuel tax will probably be increased in the next few years.

By using a higher percentage of Federal funds, other parts of the Idaho transportation system have suffered. Federal funds are formulated to address specific goals (interstate system, air quality, etc.). The stagnation of State funds for the last ten years has reduced revenue for local highway jurisdictions. Some jurisdictions are facing major loss of revenue.

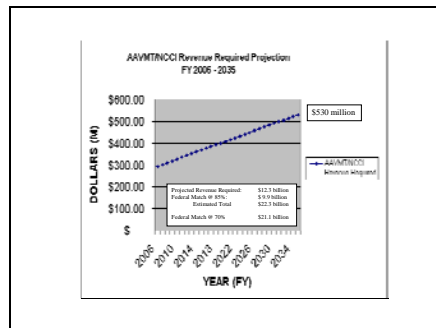
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EXPENDITURE CLASSIFICATIONS (Legislative Budget Office)					
Classification	1996-2001 (Ave)	2002	2003	2004	1996-2004 (Ave)
Personnel	\$ 77,379,000	\$ 90,407,400	\$ 89,754,800	\$ 91,979,700	\$ 87,380,225
Operating Exp.	\$ 47,688,417	\$ 51,193,100	\$ 50,414,800	\$ 52,898,500	\$ 50,548,704
Capital Outlay	\$ 195,224,500	\$ 239,130,000	\$ 273,242,800	\$ 269,972,800	\$ 244,382,525
Trustee/Benefit	\$ 5,741,417	\$ 6,049,700	\$ 6,092,400	\$ 6,748,400	\$ 6,157,979
	\$ 326,033,333	\$ 386,780,200	\$ 419,504,800	\$ 421,599,400	\$ 388,479,433
Capital Outlay %	59.9	61.8	65.1	64.0	
Operating Exp.	14.6	13.2	12.0	12.5	
Personnel:	23.7	23.4	21.4	21.8	

Jim also reviewed information from the Legislative Budget Office (Expenditure Classifications) that shows that the Idaho Transportation Department (ITD) has covered capital expenditures by cutting operating and personnel costs, which can not continue unless ITD services are decreased. Additionally, higher cost of fuel and the move to alternative-fueled and hybrid vehicles, also impact transportation revenue sources. Political resistance to raising fuel taxes will be high, but phased-in increases are reasonable and attainable, although, once the Federal fuel tax is increased, raising Idaho's fuel tax will be even more difficult.

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Jim explained that the Idaho Fuel Tax Adjusted for FHWA chart shows regression predictions compared to Idaho Fuel Tax during the FY1986-FY1996 period. Data from an AAVMT/NCCI Indexed ID Fuel Tax, an ID FHWA Equivalent Fuel Tax, and a "Linear" (AAVMT/NCCI Indexed ID Fuel Tax) were used to develop this chart. The revenue was forecast for prior years and compared with the actual collections, finding that the forecasted revenue was within 5%, proving the regression line is fairly accurate.

A regression analysis done on the Idaho Transportation Department's FY1996-FY2004 expenditures and forecasted to FY2034 estimate a total average cost of \$203 million per year -- over \$21 billion (2005 \$) during the 30 year time frame. Jim pointed out that with changes in projects (added and dropped) and inflation, the estimated total will probably still be in a similar price range. A \$20 billion range is reasonable for projected needs and Idaho should be planning to achieve revenue sources to meet that need.

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REVENUE SCENARIOS

Presented at the January 5, 2006 meeting

Dwight Bower, Sr. Vice President, H. W. Lochner – 010506

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REVENUE SCENARIOS

Dwight reported that from the request at the last meeting, two revenue scenarios were developed. The goal of the scenarios was to increase transportation revenue to meet the predicted annual \$203 million shortfall and maintain the purchasing power for the next 30 years. Changes in law, authority, etc., were not addressed. He noted that on page 92 of the Forum's Report additional information would be added about these scenarios.

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Two scenarios were developed for Forum discussion. The goal of the scenarios was to increase transportation revenue to meet the predicted annual \$203 million shortfall and maintain the purchasing power for the next 30 years by using the following assumptions.

ASSUMPTIONS:

1. All revenue increases (fuel and registration) will be distributed to the Highway Distribution Account and be shared using current law and present definition.
2. All revenue from a rental car tax will go to the Highway Distribution Account.
3. Any additional funding received from eliminating or replacing the ethanol exemptions or tax incentives will go to the Highway Distribution Account.
4. Impact fees will be collected by the jurisdiction of origin and shared by all transportation jurisdictions (state and local) that are impacted by the development.
5. Local option tax will be available for public transportation funding initiatives.
6. Increased title and driver's license fees will be shared using current law.
7. To achieve the estimated revenue in each scenario, 1% growth was used for fuel consumption, and 2% growth was used for registrations and driver's license.

Dwight pointed out that the Scenarios used the listed assumptions:

A question was asked if these scenarios were based on the 50%-50% split that was used in the past for new revenue or was some other percentage used. Dwight stated that the current law uses a 57%-38%-5% split, and was used for these Scenarios.

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SCENARIO I					
New Revenue -- All at Once to achieve \$203 million/per year estimated capital improvement shortfall					
Item	Revenue to	Action required	Unit increase	Effective date	Total
1.	H.D.A.	Raise ALL fuel taxes	12¢ per gallon	July 1, 2006	\$100,847,000
2.	H.D.A.	Raise ALL registrations	45%	July 1, 2006	\$ 40,024,000
3.	H.D.A.	Raise title & driver's license fees	45%	July 1, 2006	\$ 2,927,070
4.	H.D.A.	Index 1, 2, and 3 above to the National Construction Cost Index (NCCI)	+/- 3% per year	July 1, 2007	Maintain purchasing power (\$9,193,215 per year)
5.	H.D.A.	Eliminate or replace the Ethanol exemption		July 1, 2008	\$ 825,000
6.	Local/State approx. 80/20	Local Jurisdictions assess Impact Fees to be shared by all transportation jurisdictions (state and local) (statutory authority needed)		July 1, 2008	\$34,000,000
7.	Local/ County/ Region	Local governments assess local Sales Tax for Public Transportation with voter approval (statutory authority needed)	0.25%	Within next 5 years	\$45,983,375
8.	Corridor/ Right of Way	Impose an Excise Tax on Rental Cars designated for Corridor/Right of Way preservation	2.5%	July 1, 2008	\$1,000,000
Item 1-8 Total Revenue per year in 2008					\$225,606,000
H.D.A.--Highway Distribution Account					

Scenario I illustrates an “all at once” revenue generation. All increases included in 1, 2, and 3 would be implemented in the first year, and then indexed to the National Construction Cost Index (NCCI) for each year following. The elimination or replacement of the ethanol exemption and the rental car tax would become effective July 1, 2008. Impact fees would be used statewide. Local option tax would be available to all local jurisdictions upon voter approval. Dwight pointed out that not all jurisdictions would use all of the proposed revenue opportunities, so the total is probably high.

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SCENARIO 1	
All increases included in 1, 2, and 3 will be implemented in the first year, and then indexed to the National Construction Cost Index (NCCI) for each year following.	
The elimination or replacement of the ethanol exemption and the rental car tax will become effective July 1, 2008.	
Impact fees will be used statewide.	
Local option tax will be available to all local jurisdictions upon voter approval.	

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SCENARIO II					
New Revenue - 5 Year Phase In to achieve \$203 million/per year estimated capital improvement shortfall					
Item	Action required	Unit increase	Effective date	Total Year 1	Total Year 5
1.	Local governments assess local Sales Tax for Public Transportation with voter approval	0.25%	July 1, 2006	\$45,983,375 statewide	\$ 45,983,375
2.	Impose an Excise Tax on Rental Cars designated for Corridor/Right of Way preservation	2.5%	July 1, 2006	\$ 1,000,000 estimate	\$ 1,000,000
3.	Eliminate or replace the Ethanol exemption		July 1, 2006	\$ 825,000	\$ 825,000
4.	Local Jurisdictions assess Impact Fees to be shared by all transportation jurisdictions (state and local)		July 1, 2006	\$34,000,000	\$ 34,000,000
5.	Index fuel taxes and registrations to the National Construction Cost Index (NCCI)	Approx. equal to 3% per year	July 1, 2006	\$ 9,193,215 per year to maintain purchasing power	\$ 55,159,290 to maintain purchasing power
6.	Increase ALL fuel taxes	3¢	2006	\$25,211,629	
		3¢	2007	(\$25,463,745)	
		2¢	2008	(\$17,145,588)	
		2¢	2009	(\$17,317,043)	
		2¢	2010	(\$17,490,213)	\$102,628,218
7.	Increase ALL registrations	10%	2006	\$ 8,894,060	
		10%	2007	(\$ 9,017,412)	
		9%	2008	(\$ 8,164,747)	
		8%	2009	(\$ 7,693,006)	
		8%	2010	(\$ 7,846,866)	\$ 41,616,091
8.	Increase title and driver's license fees	10%	2006	\$ 650,408	
		10%	2007	(\$ 663,416)	
		9%	2008	(\$ 597,075)	
		8%	2009	(\$ 562,577)	
		8%	2010	(\$ 573,828)	\$ 3,042,304
Total				\$125,756,000	\$284,253,000

Scenario II illustrates a “5-year phased-in” revenue generation. The scenario assumes that indexing would begin immediately. Fuel consumption, registrations, and driver licenses would continue to grow.

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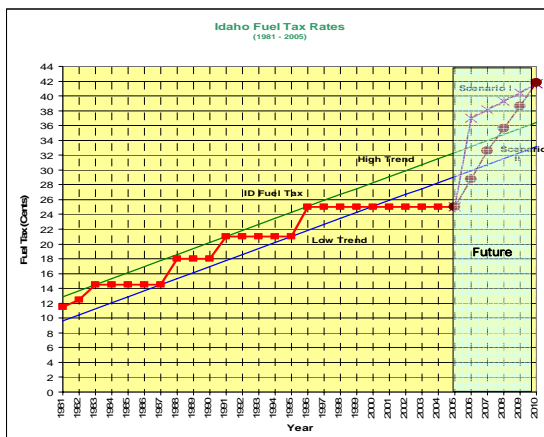
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SCENARIO 2

In the first year:

- Local option sales tax in the amount of 0.25% will be available for public transportation.
- Rental car tax will be in the amount of 2.5% and distributed to the Highway Distribution Account.
- The ethanol tax exemption will be eliminated/replaced or funding equal to the exemption will be distributed to the Highway Distribution Account.
- Impact fees will be collected by the jurisdiction of origin and shared by all transportation jurisdictions (state and local) that are impacted by the development.
- All fuel tax and registration fees will be indexed to the National Construction Cost Index (NCCI).

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The totals for both scenarios meet the predicted shortfall. Dwight then went on to illustrate how the two scenarios would compare to Idaho Fuel Tax Rates. The chart showed that at the end of both scenarios, fuel tax would be approximately 42¢ per gallon.

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COMMUNICATIONS PRESENTATION

Presented at the January 5, 2006 meeting

Jeff Stratten, Public Affairs Officer, Idaho Transportation Department

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Basic Communication Principles

1. I will not be a slave to the question.
2. I will express my agenda, not the reporters.
3. I will block and bridge.
4. I will prepare mini-messages.

2

Basic Communication Principles

1. Don't be a slave to the question.
2. Take the essence of the question and turn it into an improved answer.
3. Your job is to express your agenda, not the reporters.
4. You can't say that is the dumbest question I have ever heard.

3

Use These Phrases To Block And Bridge

1. Let me give you another perspective.
2. There is another way to look at this.
3. There is a more positive way to look at this; let me talk about some of those aspects.
4. Let's talk solutions, not problems.
5. I have a problem here. Let me tell you what I am doing to correct it.
6. Let's look at the bigger picture.
7. That's a good question, but before I answer it, let me give you some background that will put my answer into perspective.

4

Stay On Message!

- Know your mini messages.
- Write them down.
- Keep them simple
- Refine and rehearse.
- On message good! Off message very bad!

5

The News Media

- More than 1/2 of money generated from TV comes from local news.
- Twice as many people watch local news as national news.
- Only 1 in 5 adults read the newspaper daily.

6

The News Media

- First rather than factual.
- There must be sensational action in the first 25 seconds of TV news.
- Most reporters start on the premise there is something wrong.
- The media covers conflict - not issues.

7

Four Instant Lessons Of Appearing on TV

1. Name
2. Organization
3. What you said
4. Like you

8

Four Instant Lessons Of Appearing on TV

1. No one will remember your name.
2. A few will remember part of what you said.
3. Some will remember your organization.
4. 87% can tell you whether they like you.

Speak With Compassion First

1. Acknowledge. Care. Respond.
2. Talk from your heart.
3. We accept ideas from people we like;
reject them from those we don't.